APPENDIX B

Project Charter

Project Charter

As a first step in the development the Final Assessment Report, a Project Charter was developed to establish the framework for the assessment and recommendations that would follow. The Project Charter includes three elements:

- The **Case for Action** defines the reasons for change, the challenges Office of Risk Management now faces.
- The **Strategic Vision Statement** defines Office of Risk Management's future and describes the kind of organization it wants to become.
- The **Critical Success Factors (CSFs)** defines the business measures and key performance indicators that will be used to monitor and evaluate performance.

The Case for Action identifies those issues that are changing in Office of Risk Management's business environment that must be addressed such as increasing commercial premiums. The Case for Action also identifies the key operational issues that must be solved, such as the need for:

- a competitive rating strategy
- changing from an internal to a customer-focused business strategy
- building an effective loss prevention and safety training strategy
- improving organizational effectiveness
- empowering Office of Risk Management employees
- reducing the turnover rate
- improving the effectiveness of the Office of Risk Management's information systems

The Strategic Vision Statement should express the executive management team's view of the future and its most significant characteristics. These include being recognized as the superior provider of risk management services; distinguished by the effectiveness of its loss prevention and claims management programs; leadership among its peers in introducing new programs such as an innovative Return to Work program; employing a highly motivated and empowered workforce committed to the organization's success; conducting business with the highest degree of quality, productivity and responsiveness to its customers; and achieving consistent fiscal strength.

The Critical Success Factors include those tactical measures that Office of Risk Management will use to monitor and evaluate its overall performance in achieving the Strategic Vision. Some examples of these measures are included in the Office of Risk Management Strategic Plan FY 2002-2003 through FY 2006-2007. Examples include:

- Maintain a program that requires a physical appraisal of 20% of all state buildings each year.
- Each fiscal year the Claims Unit will enter all claims in the claims management system with three working days of receipt.
- The Accounting Unit will enter billings to claims management system for each claim record where the Department of Justice / Division Risk Litigation provides legal services.

It is clear upon review of this Strategic Plan that a great deal of effort was expended in compiling the strategies, objectives and performance indicators. However, it is also apparent (and confirmed following a number of staff interviews) that the document is not the result of a collective process by the entire Office of Risk Management leadership team based on comprehensive input by the operational units. A number of the strategies, while addressing key issues with the Office of Risk Management, lack the level of quantification necessary to effectively measure success over time.

Case for Action

The executive leadership of the Division of Administration has an earnest desire to achieve dramatic improvements in the manner in which the state's risk management organization is funded and administered. Bolstered by documented findings since 1998 by the State of Louisiana Legislative Auditor, the Office of State Inspector General and the Joint Legislative Committee on the Budget, there was more than an ample impetus to conduct this internal operational assessment. Factors in these findings highlight perceived and/or actual deficiencies within the Office of Risk Management dealing with basic financial and workflow procedural controls as well as the effective use of technology.

Armed with this information, the **METHODS** Project Team has delineated the following eight overarching trends that have emerged as a result of project activities to date aimed at identifying the cause of these referenced deficiencies:

- There is a lack of confidence in the collective abilities of the Office of Risk Management's leadership team extending from unit supervisory positions to the former "Fourth Floor" executive management team.

- A general lack of basic staff training appears to be a fundamental cause of less than optimal service quality and staff efficiency.

- The general management approach with the Office of Risk Management is non-quantitative in its orientation.

- The use of technology to assist staff in their essential job performance appears to be grossly inadequate.

- There is an obvious lack of effective internal financial controls.

- Personnel shortages resulting from budget reductions have had a major impact on daily operations affecting customer service as well as overall quality, efficiency and staff morale. Sufficient organizational reengineering necessary to adapt to a changing work environment has not been undertaken.

- A lack of close cooperation and communication between the Office of Risk Management Loss Prevention Unit, the Office of Risk Management Claims Unit and Office of Risk Management's client base is resulting in lost opportunities to assist the client in loss prevention and loss containment efforts.

- Personnel throughout the organization generally seem dedicated to serving their customer base and sincerely want to see the department perform at a higher level of both internal and external satisfaction.

Strategic Vision

The Strategic Vision explains what type of organization the Office of Risk Management wants to become. Within the Office of Risk Management Strategic Plan FY 2002-2003 through FY 2006-2007 produced in June 2001, the organization's philosophy or vision is stated to be *...to assist in attaining the goals of the Administration by developing a professional, productive and dedicated staff which will produce a strong, effective and efficient risk management program that is sensitive to the needs of its client-user agencies."* The Strategic Plan continues by enumerating six primary goals that are designed to support this Strategic Vision:

- The Office of Risk Management will provide a cost effective self-insurance program for the state consisting of quality multi-line coverages that equal or exceed coverages available through the private sector.

- The Office of Risk Management will provide a comprehensive loss prevention program that will minimize losses and protect the assets of the state.

- The Office of Risk Management will process all claims in a timely and cost efficient manner.

- The Office of Risk Management will fund and coordinate the defense of all tort litigation against the state in a cost efficient manner considering both expense and loss dollar pay out.

- The Contract Litigation Program will fund expenditures for legal fees paid to contract attorneys for cases assigned to contract attorneys by Division of Risk Litigation with the concurrence of the Office of Risk Management.

- The Risk Litigation Program will fund expenditures for legal fees and expenses paid to Department of Justice/Division of Risk Litigation (DOJ/DRL) for cases assigned to DOJ/DRL attorneys by the Attorney General's Office.

For each primary goal, the Strategic Plan includes the strategies and actions believed necessary to achieve each goal along with related performance indicators. Ultimately, the Office of Risk Management must revisit its current philosophy and answer three basic questions:

- At what internal processes must we excel to satisfy our clients?

- What must we do to develop our internal resources in order to excel at these processes?

- What are the financial objectives and benefits with respect to achieving the vision?

Critical Success Factors

This section focuses on what actions will be necessary to realize the goals and objectives contained in the Strategic Vision. These actions or Critical Success Factors (CSF's) comprise the *Tactical Vision* that is used to describe the key performance measures that will be used to monitor and evaluate success. CSF's are those aspects of the Office of Risk Management's mission that must be managed effectively in order for the Office of Risk Management to become the kind of organization described in the Strategic Vision statement.

It can be determined from the information gathered that basic factors to be addressed in the Office of Risk Management's CSF's include:

- Manage risk by implementing effective policies and internal controls.

- Promote quality and efficiency with 'zero waste'.

- Be a guaranteed solvent entity

- Provide for rapid, efficient and complete compensation for injuries and/or damages.

- Educate the state's constituents on the value of a safe workplace and environment.

- Effectively use technology to support streamlined business processes.

- Maintain a well-trained, cross-functional staff.

Management must focus its attention on working as a team to:

- Take an introspective look at the leadership team with the organization and act aggressively to enhance management and communication skills among this group;

- Develop and articulate overall strategies and plans to all staff members to foster a sense of organizational pride and personal commitment to excellence;

- Develop and implement consistent management practices that focus on increasing participative decision-making, coordination and communication within the organization; and

- Enhance work processes by redesigning workflows to be more unified and less segmented, more customer-focused and effectively integrated with enabling technology.

These actions, taken together, will prepare the organization to manage both operational and technological change more effectively as well as to develop the flexibility that will be required to distinguish itself among its peers. While most of these factors are underscored in the Office of Risk Management's Strategic Plan, realistic metrics need to be incorporated and monitored.